



Yorkshire Co-operatives Limited Employees' Superannuation Fund

Responsible Investment Update

February 2020

In December 2018, we published a [Responsible Investment Policy](#) for the Fund, which is available on the fund's website. This policy sets out the Trustee's views on responsible investment, and the issues that we identified as risks to the Fund which we believed reflect the views of members and the Co-op and which we could address in the Fund's investments.

We recognise that environmental, social and governance ("ESG") factors can affect the financial performance of the companies and other assets that we invest in. Our investment managers take account of ESG factors when they are implementing their mandates, and engage directly with the companies they invest in. On top of this, we agreed that we would provide updates on the Fund's specific Responsible Investment activities on the website. As part of this commitment this short paper sets out the changes we've made over the first twelve months the policy has been in place.

We updated our Statement of Investment Principles

The Fund's Statement of Investment Principles ("SIP") is a written document that sets out the principles that the Trustee applies when setting investment strategy. It formally sets out the Trustee's policies covering how we select investments, the balance between different types of investments and the way we manage investment risks (amongst other factors).

In June 2019, having consulted with the Co-op, we updated the Fund's SIP to more explicitly reflect the environmental, social and corporate governance ("ESG") risks we consider when making investment decisions (including the long-term sustainability of the companies we invest in through our investment managers, and in particular the impact of climate change).

Our updated SIP is on the pension website at: <https://coop.pacepensions.co.uk/other-schemes/>

We moved our equity investments into funds better aligned with our Responsible Investment Policy

In July 2019, we moved the Fund's 'developed market' equity investments from "market cap" index-tracking equity funds (which invest in companies around the world in proportion to their size, or market cap) into LGIM's Future World equity index funds, which we believe are better aligned with the Fund's Responsible Investment Policy.

These funds use LGIM's ESG scores (calculated for the companies they invest in) to reduce exposure to companies associated with poor ESG practices and provide greater exposure to those that are better positioned from an ESG perspective. For example, this means investing more in companies with lower greenhouse gas emissions, more diverse workforces and boards, that have robust policies on bribery, discrimination, freedom of association, and in companies with stronger corporate governance processes. The funds also exclude manufacturers of controversial weapons and coal miners, and companies that fail to engage with LGIM on climate change. The Trustee believes this fund is therefore a good 'fit' for the criteria set out in our Responsible Investment Policy.

This has had a quantifiable impact, in particular on climate change related factors:

- The "carbon emissions intensity" (which measures the relationship between carbon emissions of a company and its sales) is over 40% lower for the new funds than the market as a whole; and
- The carbon reserves of the companies we invest in are over 60% lower than the market. Based on L&G's analysis this means investing in the Future World funds reduced Yorkshire's exposure to fossil

fuel reserves by the equivalent of approximately 67,000 barrels of oil compared to an unadjusted index tracking approach.

Next steps

We see the development of our Responsible Investment Policy as an evolving process and will review our approach to Responsible Investment at least annually; in addition, over the next year we will continue to engage with our managers to monitor their approach to responsible investment, and as mentioned above will review the approach we take for emerging market equities.

We also welcome members' feedback and will consider this as we continue to develop our policy for Responsible Investment. If you have feedback on the RI policy, please let us know by email: staffpensions@co-operative.coop

The Trustee of the Yorkshire Co-operatives Limited Employees' Superannuation Fund, February 2020